

House Republican Press Release

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Press Office: 860-240-8700

Rep. DelGobbo letter to DPUC



Donald W. Downes, Chairman
Department of Public Utility Control
10 Franklin Square
New Britain, CT 06106

RE: Docket 06-01-08: DPUC Implementation of Standard Service & Supplier of Last Resort,

Docket 05-07-14 PH 01: DPUC RFP for New Long-Term Resources

Dear Chairman Downes,

I am writing this correspondence to share with you my thoughts with regard to a variety of critical electric issues that the Department will be working on in the next several months. As you know, during the most recent legislative session I sought to work with my colleagues to provide your agency with new administrative tools that you could employ to ensure that our state is well positioned to manage its energy interests in the coming years. In fact it is and has been my opinion that the legislature could have and should have instituted several measures to achieve that objective. Nonetheless, based upon my abiding and longstanding interest in making sure that our state's electric customers receive both reliable and low cost electricity, I would like to offer you some brief comments on several issues that you will be considering as you implement various provisions in our existing electric utility statutes.

As I observe your pending administrative processes, I am aware that the Department is presently working on two proceedings that touch upon subject matter which will have a critical role in shaping our energy policy. I continue to have every confidence that your Department will exercise its administrative discretion in a prudent and thoughtful manner. It is however important to me as a policymaker that I offer you my perspective for your consideration as you weigh the many competing factors and interests in your ongoing deliberative process.

My first comments relate to your development of the new Standard Service and Supplier of Last Resort services. In the absence of any legislative changes to the existing statutory framework, it my hope that the Department will be aggressive in developing a flexible procurement approach that will seek to blunt the risk of higher electric prices

next year. In particular, the initiation of the new Supplier of Last Resort program has the potential to have significant cost impact on Connecticut's large commercial and industrial electric consumers. Based upon discussions with a range of business leaders, I believe that it is critical that the Department develop a balanced structure. Such a program would allow these customers to leverage the advantages of competitive choices while also providing them with a default service that is predictable enough to enable them to budget and plan for their future energy costs. In this regard, I believe that the six-month contracting structure when accompanied with a monthly pricing element (contained in later drafts of the proposed 2006 energy act) represents a reasonable approach. Furthermore, it is my opinion that the Department has the legal ability to pursue such a rate design structure within the parameters of the existing Supplier of Last Resort governing statute.

With regards to new Standard Service program that will be available to residential and small business customers beginning on January 1st my cost concerns are even more poignant. This anxiety is in no small part due to the fact that the development of a widespread retail electric market for residential consumers is likely to continue to develop at a painfully slow pace. Therefore, for the foreseeable future the vast majority of small customers will have little choice but to obtain service through Standard Service. As a consequence, it is my strong belief that the overarching policy objective of this new default service program should be to provide these customers with stable, predictable, and reasonably priced electric rates. With this objective in mind, it my hope that the Department adopts a procurement plan and RFP structure that seeks to achieve such a result. I do of course appreciate that a range of approaches and a high degree of flexibility will need to be employed to implement this program. This is especially true due to the fact that we all continue to experience a highly volatile and uncertain global energy marketplace. Ultimately, I do believe that as we move further along into a fully laddered contracting structure in the coming years, we have in place a balanced regulatory mechanism that will work to insure that the risk of dramatic price spikes is significantly diminished.

On a related note, given the significant impact of the procurement processes that your agency is set to authorize, I would ask that the Department continue to be open and creative about finding ways in which to enhance participation and transparency in the contract solicitation and selection process. While I certainly recognize that you must strive to ensure that our procurement process is commercially viable, I cannot overstate the need for you to be aggressive in exploring ways to ensure that our electric customers can have the highest degree of confidence in the procurement process that we employ- regardless of its specific results.

I know that the Department is also working towards identifying and securing new long-term resources as required under the provisions of the EIA. I would suggest that you use, to the maximum extent possible, the statutory flexibility that was granted to the Department under that Act to ensure that electric ratepayer's interests are fully advanced. Certainly, we both appreciate the tight time constraints that Connecticut is operating under if we are to successfully position ourselves to overcome our existing resource

deficiency in a few short years. While I clearly recognize that reducing federally mandated congestion costs is a very important element in the RFP you are currently working to release this fall, it is by no means the only factor that you are directed to consider under the EIA. Consequently, I would encourage you use the full range of evaluation criteria that the Department is required to consider under the EIA and your other regulatory authority to solicit and approve responses that ensure the best long term position for Connecticut's electric system. For example, the state's interest in enhancing the fuel diversity of our electric generation facilities is an important ratepayer interest that should be weighed in your solicitation and evaluation process.

In addition, in the interest of maximizing the benefits derived by ratepayers from your upcoming RFP process, it is also important that you explore ways in which you can leverage the capacity contracts we are going to enter into to control or influence the energy output of those facilities. If appropriately developed, such a scenario could serve to put downward pressure on energy prices. While it is important to appreciate those long-term energy engagements have some degree of risk, I believe that the Department can find a way to gain an energy benefit from our capacity contracts without subjecting ratepayers to an unwise level of risk.

Finally, I would ask the Department to begin to consider the appropriate manner and mechanisms that we as a state should put in place to develop the structural foundation for an ongoing long-term resource planning process. It is my sense that such a planning structure is a vital tool to ensure that the Department and state policy makers will need to meet our energy needs after the current energy planning and RFP process is completed.

Thank you in advance for your consideration of my comments in your ongoing administrative processes. I trust as always that you will exercise your judgment in our state's best interest.

Sincerely,

Representative Kevin DeGobbo
Ranking Member, Energy & Technology Committee